

# European Communities

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## EUROPEAN PARLIAMENT

# Working Documents

1974-1975

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23 April 1974

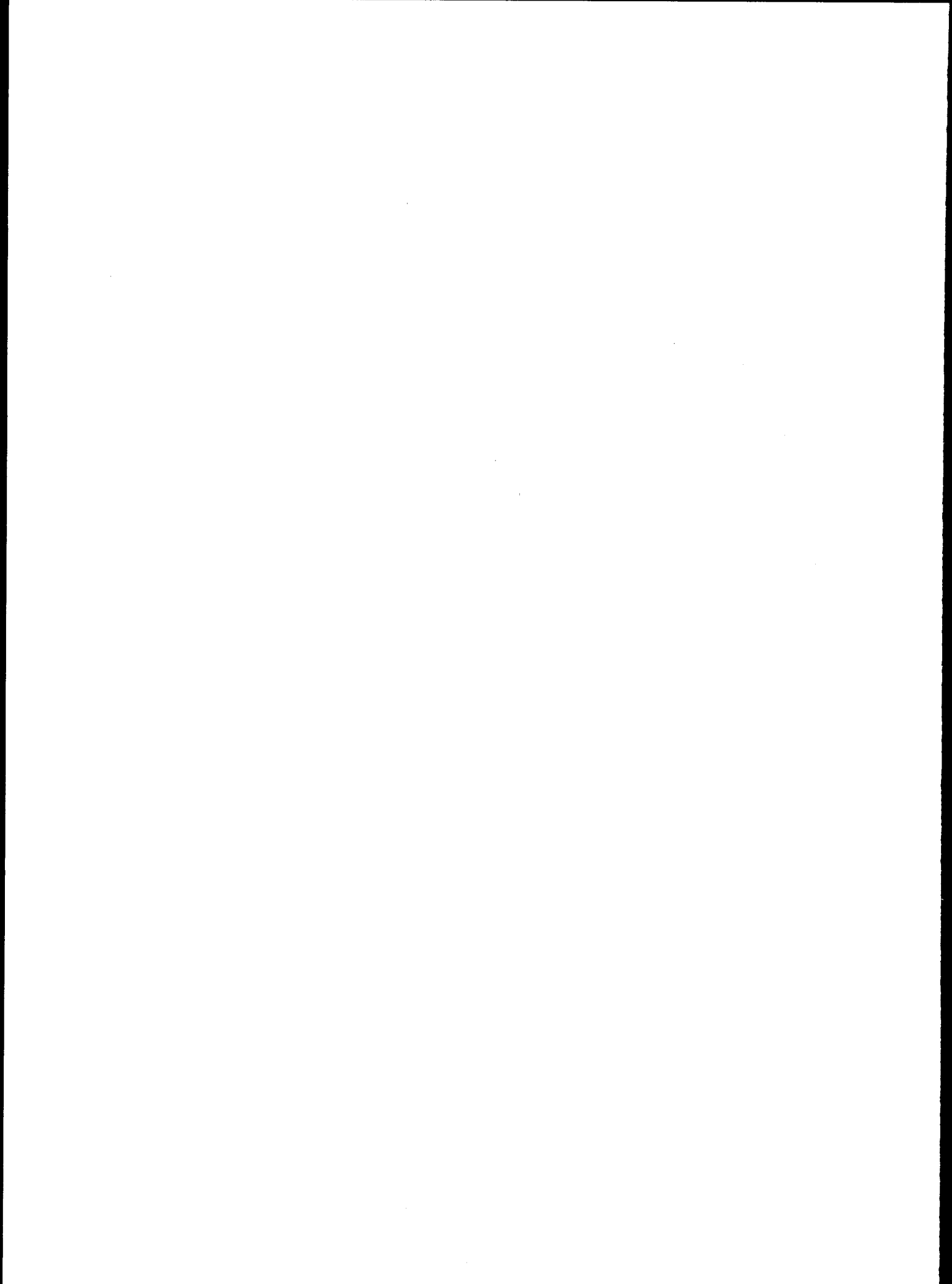
DOCUMENT 55/74

## Report

drawn up on behalf of the Committee on Agriculture

on the amendment to the proposal from the Commission of the European Communities to the Council (Doc. 30/74) for a regulation supplementing Regulation No. 1009/67/EEC on the common organization of the market in sugar

Rapporteur : Mr Lucien MARTENS



By letter of 2 April 1974 the President of the Council of the European Communities requested the European Parliament, pursuant to Article 43 (2) of the EEC Treaty, to deliver an opinion on an amendment to the proposal from the Commission of the European Communities to the Council concerning a Regulation (EEC) of the Council supplementing Regulation No. 1009/67/EEC on the common organization of the market in sugar.

On 3 April 1974 the President of the European Parliament referred this proposal to the Committee on Agriculture as the Committee responsible and the Committee for External Economic Relations and the Committee on Development and Cooperation as the Committees asked for their opinions.

The Committee on Agriculture appointed Mr MARTENS rapporteur.

It considered this proposal at its meeting of 18 and 19 April 1974.

At its meeting of 18 and 19 April 1974 the Committee adopted the motion for a resolution and the explanatory statement by 11 votes in favour with 2 abstentions.

The following were present:

Mr HOUDET, Chairman; Mr VETRONE, Vice-Chairman; Mr MARTENS, rapporteur; Mr DEWULF (substituting for Mr LUCKER), Mr FRUH, Mr GIBBONS, Mr HEGER, Mr John HILL, Mr de KONING, Mr LIGIOS, Mr LIOGIER and Mr THORNLEY (substituting for Mr DELLA BRIOTTA).

CONTENTS

	<u>Page</u>
A. MOTION FOR A RESOLUTION .....	5
B. EXPLANATORY STATEMENT .....	7
ANNEX I .....	12
ANNEX II .....	13
ANNEX III .....	14

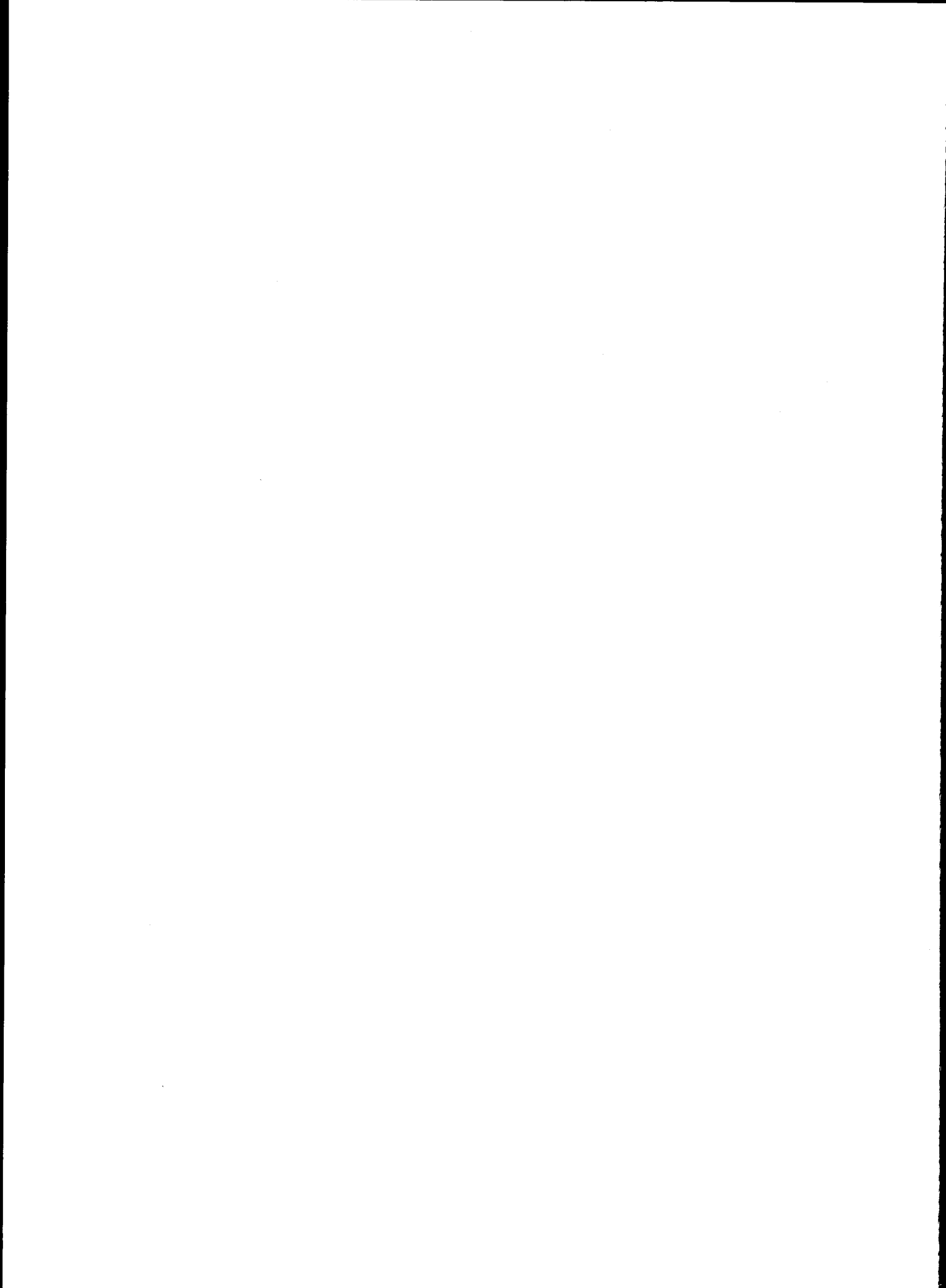
The Committee on Agriculture hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

MOTION FOR A RESOLUTION

embodying the opinion of the European Parliament on ~~an~~ amendment to the proposal from the Commission of the European Communities to the Council concerning a Regulation supplementing Regulation No. 1009/67/EEC on the common organization of the market in sugar.

The European Parliament,

- having regard to the proposal of the Commission to the Council (COM (74) 427 final);
  - having been consulted by the Council pursuant to Article 43 (2) of the EEC Treaty (Doc. 30/74);
  - having regard to the report of the Committee on Agriculture (Doc. 55/74);
  - considering that the sugar supplies of the Community must be assured and that to this end sugar produced in excess of the maximum quota must be placed - when needed - on the Community market;
  - believing that the proposals here put forward represent in fact a declaration by the Commission of a state of scarcity in the sugar market.
1. Notes with satisfaction that the Commission has taken this sugar scarcity into account;
  2. But believes that the proposal of the Commission may result in a reduction in the incomes of Community sugar producers, given the very high level of sugar prices on the world market;
  3. Believes that it is desirable in order to stabilize existing incomes of sugar producers, to increase the maximum quota to a level sufficient to ensure adequate sugar supplies for the Community, without however producing a surplus, and with the abolition of the production levy;
  4. Instructs its President to forward this resolution to the Council and the Commission of the European Communities.



EXPLANATORY STATEMENTThe Purpose of These Proposed Amendments

1. The present situation on the world sugar market is characterised by a persistent shortage, by prices double those of the Community and by an uncertainty created by the inability of the international community to reach agreement on a world sugar agreement. One effect of world high prices has been to encourage exports of Community sugar. The Commission of the European Communities wishes to be able both to ensure sufficient supplies from Community production and the possibility of controlling exports of Community sugar.

2. The common market organization in the sugar sector was established by Regulation No. 1009/67/EEC.<sup>1</sup> This regulation established three regimes for sugar production :

(i) the basic quota 'sugar A' with a guaranteed minimum price. Each undertaking has a basic quota allocated and laid down in the regulation (calculated on the basis of average production 1961/62 to 1965/66);<sup>2</sup>

(ii) a maximum quota 'sugar B' fixed at 135% of the basic quota,<sup>3</sup> and for which the price received by producers is lower than that of 'sugar A' to the extent of a production levy;

(iii) farmers are free to produce sugar beyond these established quotas. This 'sugar C' cannot be placed on the Community market (except in times of scarcity), receives no export restitutions and is entirely at the producer's risk.

3. The Commission has sought and is seeking to ensure adequate Community supplies of sugar<sup>4</sup> by means of two measures :

(a) the first (given in document COM (74) 382 final) was to raise the level of the maximum quota applicable to sugar during the 1974/75 marketing year from 135% to 145%, from 100% to 110% in the special case of the United Kingdom, and from 235% for the compound price system for the two sugar marketing years 1973/74 and 1974/75 (Netherlands and Belgium);

<sup>1</sup> O.J. No. 308, 18.12.1967, p. 1.

<sup>2</sup> Articles 23 and 24 of Regulation No. 1009/67/EEC, O.J. No. 308, 18.12.1967, p. 9-10.

<sup>3</sup> COM (74) 30 final, part VII, pp. 2 and 3; final recital and Article 4.

<sup>4</sup> The Commission (in its proposals for the prices for certain agricultural products and measures specified in the memorandum on the improvement of the Common Agricultural Policy, COM (74) 30 final, part X, p. 2) has already put forward a stocking policy for this end, each sugar manufacturer being requested to hold 10% of his basic quota in stock.

- (b) the second (given in document COM (74) 427 final) in the form of an amendment to Article 25(1) of Regulation No. 1009/67/EEC has as its purpose to lay down the principle of the application of the export levy equal to the difference between the c.i.f. price and the threshold price on 'sugar C' produced in excess of the maximum quota (under the present regulation export levies apply only to 'sugar A' and 'sugar B'); but with the possibility of not applying this levy if the market situation should render it unnecessary.

The European Parliament has been consulted only on the second of these proposed amendments to the basic regulations. It requests explanation as to why this is the case. The Committee on Agriculture, however, believes that in evaluating the impact of the export levy on the income of the European producer, it must be considered in conjunction with the increase in the maximum quota: both of these measures respond to the demands of the existing market situation; both are intended to work in the same direction; and it would seem likely that both are intended to be operated in conjunction with each other.

#### The Impact of Developments in the International Market on the Community Producer

4. The present common organization for sugar, as laid down in Regulation No. 1009/67/EEC, was drawn up in a period of world-wide sugar surpluses and low world prices. Its principal aims were as follows :

- limitation of marketing costs;
- the maintenance of a fixed and limited production;
- expansion of production in those regions most suited to this crop.

5. However, between 1970 and 1973 world production was lower than consumption, with the result that carryforward stocks were rapidly marketed. By September 1973 stocks were at the absolute minimum required to ensure supplies for the beginning of the new season. No immediate lessening of these international market difficulties can be foreseen.

6. The result has been that world sugar prices have practically trebled between 1968 and 1973, resulting in a dramatic reversal in the relationship between the Community and the world price levels. In 1968 when the present organization was set up, the price of sugar on the international market was 5 u.a. per 100kg. as compared to a minimum price for sugar of 22 u.a. in the Community. In 1974, however, the situation has been completely reversed : sugar on the international market is 37 u.a. per 100kg. on the international market and 25 u.a. in the Community.



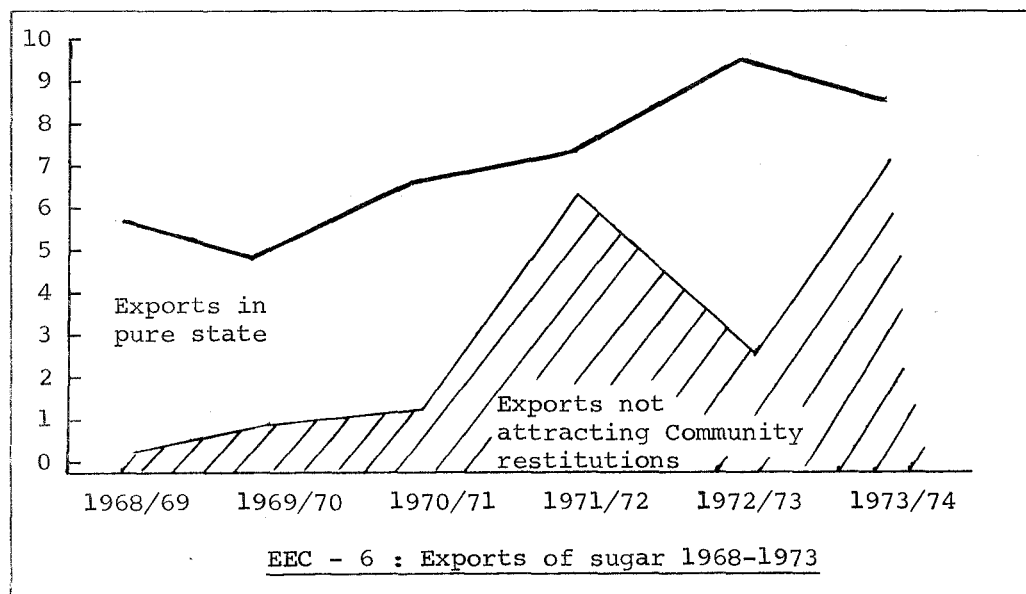
7. These high world prices have encouraged exports of sugar from the Community to accelerate. These exports stood at 0.6 million tonnes in 1968/69 and 1.2 million tonnes in 1973/74.

8. An important part of these exports consists of 'C sugar' not benefitting from export restitutions. These have developed in the following manner :

1968/69	1969/70	1970/71	1971/72	1972/73	1973/74
'000 tonnes					
34	79	122	620	215	660

This is in relation to a total production which has progressed as follows :

1968/69	1969/70	1970/71	1971/72	1972/73	1973/74
6.823	7.435	7.051	8.071	7.639	8.274



9. The attractions of the present international sugar market for Community producers has had two important side-effects :

- since 1971 all expenditure on the utilization of surpluses has been practically covered by receipts from the production levy;
- there has been a steady increase in the area devoted to sugar beet; in the past year this area increased by 5% in France, by 3.4% in Germany, and to a much more limited extent in Belgium and the Netherlands; only in Italy has there been a decline, one of 10%.

### Observations

10. The present organization was established in a period of surplus in the sugar market. Its dispositions do not entirely meet the needs of a period of scarcity and high world prices. The Community producer has expanded his production as a response to the international market. His exports in the large have not benefitted from Community aids (since these exports now consist to a large part of 'C sugar'). Indeed the Community producer is expressly forbidden to dispose of his 'C sugar' on the Community market, except in times of shortage (according to Article 25 (1) of the Regulation No. 1009/67/EEC; it is entirely at his own risk. The Commission, in this period of uncertainty created by existing market factors and the inability of the international society to reach a new world sugar agreement, is seeking to ensure a greater degree of future supplies by preventing sugar from being contracted for export long before it is produced, by establishing the principle of an export levy on 'C sugar'.

11. This measure is intended to divert some sugar production from the high priced international market on to the lower priced Community market. This sugar will be sold at the existing market rate for 'A sugar'.

The overall result of this proposed regulation will be that some part of present Community sugar production at present benefitting from very high world prices will be put on the Community market at much lower prices (and in the case of the sugar coming under the extended maximum quota the production levy will be imposed). This can only result in a decrease in the revenues of sugar beet producers. At present producers of 'C sugar' enjoy high world prices, but do not benefit from any guarantee. This proposal, while offering lower prices, in no way offers increased security in return, since this increase in the maximum quota is only applicable for the 1974/75 marketing year.

Given present production costs and the high sugar prices on the world market, there is no logical reason for 'B sugar' to suffer from a lower price than that offered to 'A sugar' and 'C' sugar diverted on to the Community market. The present Commission proposal is nothing less than a declaration

that the Community is facing a period of shortage in the sugar sector. While satisfaction may be derived from the fact that the Commission is taking this situation into account, it is illogical to penalise producers by production levies at a time when it is desirable to stimulate sugar production. This Commission proposal also casts doubt on the continuing relevance of the Commission memorandum of 12 July 1973 (COM (73) 1177).

While it is of course desirable that security of Community supplies should be ensured, it is equally necessary that the farmer who is to provide this sugar should either be ensured an increased guaranteed market or should be offered some additional financial reward (to ensure a remuneration at least equal to the price of 'A sugar' and reflecting to some degree income that would have been enjoyed if the sugar had been disposed of on the international market).

Production, Export and Consumption of Sugar in the Community

ANNEX I

	EEC 6						EEC 9	
	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1973/74	1974/75
Area under sugar beet (1.000 ha)	1.156	1.151	1.148	1.150	1.202	1.291	1.577	1.591
Sugar yields (100 kg/ha)	54,6	60,2	57,5	67,1	59,9	60,4	60,7	
Total production (in '000 metric tons of white sugar)	6.823	7.435	7.051	8.071	7.639	8.274	10.037	
of which outside quotas for export (1)	34	79	122	620	215	660	980	
Exported in the pure state (2)	581	483	653	722	931	810	896	
Export of manufactured products (2)	122	165	156	173	153	160	210	
Human consumption	5.931	6.065	6.517	6.325	6.459	6.570	9.560	
Animal feed	352	307	190	25	35	25	25	
Industrial use	23	38	43	47	54	55	80	
Consumption, kg/per person	31,8	32,2	34,3	33,1	33,5	33,8	36,9	
Degree of self-sufficiency as % (3)	115,0	122,6	108,2	127,6	118,3	125,9	105,0	

(1) Exports not attracting Community restitutions.

(2) The figures for exports and imports refer only to trade with non-member countries with exception of processing traffic.

(3) Ratio between total production and human consumption.

Source : COM (73) 1850 final, ANNEXES, pp. 76 - 83.

## ANNEX II

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Community and World Prices for Sugar and Sugar Beet

Minimum price for beet "A"  
(basic quota per metric ton):

EEC-6 (excluding Italy)

Minimum price for beet "B"  
(outside the basic quota)  
(100-135%, per metric ton):

EEC-6 (excluding Italy)

Target price for white sugar  
(per 100 kg):

Intervention price for white sugar  
(per 100 kg):

EEC-6 (excluding Italy and overseas departments)

Intervention price for raw sugar  
(per 100 kg):

EEC-6 (excluding Italy and overseas departments)

Average world sugar prices

White sugar: Paris

Raw sugar: London

	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75
							(EEC-9)
EEC-6 (excluding Italy)	17,00	17,00	17,00	17,00	17,68	17,86	18.84
EEC-6 (excluding Italy)	10,00	10,00	10,00	10,00	10,40	10,50	11.08
Target price for white sugar (per 100 kg):	22,35	22,35	22,35	23,80	24,55	24,80	26.55
EEC-6 (excluding Italy and overseas departments)	21.23	21.23	21.23	22.61	23.34	23.57	28.22
EEC-6 (excluding Italy and overseas departments)	18,50	18,50	18,50	19,22	19,85	20,05	(20.41)

in ua/100 kg

6,29 (July/June)	7,51	10,60	15,75	19,30	19,92 (Sept.)	50 (April 1974)
6,78 (July/June)	8,22	10,99	13,99	17,53	17,35 (Sept.)	45 (April 1974)

### ANNEX III

## POSITION 1973/74

PRODUCTION EEC	9,500,000	tonnes
of which "C" sugar	0,650,000	tonnes
of which "A" + "B" sugar	8,850,000	tonnes
HUMAN CONSUMPTION		
estimated summer 1973 at	9,600,000	tonnes
It is now estimated at	10,000,000	tonnes
EXPORTS		
(sugar and transformed products		
without "C" sugar)	0,400,000	tonnes
CHEMICAL INDUSTRIES/DENATURATION	0,050,000	tonnes
IMPORTS	1,400,000	tonnes
(instead of	1,760,000	tonnes)
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Production	8,850,000	tonnes
Imports	1,400,000	tonnes
	<hr/> 10,250,000	<hr/> tonnes
Consumption	10,000,000	tonnes
Exports	400,000	tonnes
Chemical Industries/Denaturation	50,000	tonnes
	<hr/> 10,450,000	<hr/> tonnes
<u>REDUCTION IN STOCKS</u>	- 0,200,000	tonnes
(A minimum stock of 10% =	1,000,000	tonnes)
STOCKS at 1/10/1973	0,900,000	tonnes
STOCKS at 1/10/1974	+ 0,700,000	tonnes

<sup>1</sup> Production excluding 'C' sugar

ANNEX III

ESTIMATED POSITION 1974/75

Reconstituting stocks	300,000	tonnes
Exports of transformed products	300,000	tonnes
Chemical industries/denaturisation	100,000	tonnes
Consumption	10,100,000	tonnes
	<u>10,800,000</u>	<u>tonnes</u>

BEET AREA      1,591,000 hectares

PRODUCTION WITH NORMAL YIELD	10,000,000	tonnes
IMPORTS                      (maximum	1,400,000	tonnes
(	1,000,000	tonnes
(minimum	<u>11,000,000</u>	<u>tonnes</u>

MAXIMUM SURPLUS

0,200,000      tonnes

